

The PRIIPs KID Stalemate continues

There are few regulations causing as much of a stir within the Asset Management world now as PRIIPs (the Packaged Retail and Insurance-based Investment Products regulation).

WHAT'S CHANGING?

The regulation has been a longstanding bone of contention for the European regulatory bodies since its advent pre-crash in 2008 and this constant dialogue is centred on the KID (Key Information Document) element of the regulation.

PRIIPs regulations were initially designed by The European Commission to make it easier to compare different retail products and assess which is best suited to an investor's stated aims. As of 1 January 2018, all packaged retail and insurance-based investment products have been required to have the pre-contractual PRIIPs KID document in place. AIF and UCITS products both fell into this category, however UCITS products were granted an initial exemption and were allowed to continue to provide the standard UCITS KIID until 31 December 2021.

The industry had been expecting to begin the transition of UCITS KIID to PRIIPs KID from the summer of 2021, allowing ample time to have the new PRIIPs KID documents in place well ahead of the December 2021 deadline.

WHY THE HOLD UP?

Whilst the industry was beginning to make plans for the switch over, it was assumed that the issues being raised about PRIIPs

would be resolved by this point - this is unfortunately far from the case.

The crux of the problem lies within the European Supervisory Authorities (ESAs) inability to agree on revised technical standards and the ensuing confusion around how to move this situation forward.

In late July 2020, the ESAs published their [letter](#) to the European Commission (the EU's political Executive branch - tasked with creating the original legislation), informing them that whilst the securities market regulator (ESMA) and banking regulator (EBA) had agreed with the proposals, there was insufficient support from board members of the European Insurance and Occupational Pensions Authority (EIOPA) to approve their [latest draft](#). This is the first time the ESAs have failed to endorse their own suggested technical standards and it knocks the PRIIPs ball firmly back in the Commission's court.

This impasse leaves huge uncertainty around the PRIIPs KID, its calculation methodologies and when UCITS KIIDs will be eventually be replaced. There is suggestion that a full rewrite of the rules is needed, this would however have huge legal implications and would require input from the European Parliament who, as we all know, have rather a lot to be getting on with!

THE CURRENT STATUS QUO

Many industry bodies such as the BVI (Germany's investment fund association), EFAMA (Europe's main fund industry trade body) and Better Finance (European Federation of Investors and Financial Services Users) are calling for a delay. They believe that a switch from UCITS KIIDs to PRIIPs KIDs without addressing the concerns raised will not serve the investor well in the long-term.

It is also possible that the UK will diverge from the current PRIIPs regulation and look to create its own PRIIPs KID. With the advantage of hindsight, the UK will be able to create a more user friendly and comprehensive KID straight off the bat. EFAMA believe that this will give the UK a competitive edge over the rest of Europe when it comes to informative investor information.

We are of course keeping a weather eye on any developments and will be sure to inform our clients of any updates as soon as they are announced.

FOR NOW, IT'S A WAITING GAME....

The European Commission must now consider carefully what their next step will be as the power to resolve the situation lays in their hands. It is doubtful the intended full review of the regulation will happen by December 2020 as previously stated, meaning that any proposed changes would likely not be

communicated to the industry in time to implement by the end of 2021. As a result, the future of the current PRIIPs KID and the exemption for UCITS products remains uncertain.

At FCS our clients will be in the best possible position whatever the outcome as we continue to prepare for the transition of UCITS KIID to PRIIPs KID. Development of our new document production technology is well underway and will be live in early 2021 to cater for the needs of PRIIPs or to continue to support UCITS KIIDs. If you are considering a change to your current process or want to know how to be best prepared, we will be happy to have a discussion with you and are available at the contact details below.

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